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State Dept. review completed

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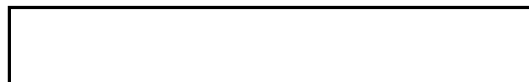
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GENERAL

1. Britain prefers Satellite candidate for Security Council seat:

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Preliminary British views call for permitting a Soviet-designated Satellite to occupy the UN Security Council seat normally reserved for an Eastern

European state. Members of the British UN delegation believe that a major conflict over the seat might deter what may be a developing Soviet initiative to reduce world tensions.

The British Foreign Office, however, wishes to avoid disagreements with the United States such as occurred over Indian participation in the Korean political conference.

Comment: In 1951 Britain unsuccessfully supported Byelorussia rather than Greece for the East European Security Council seat on the grounds that a past understanding permitted the Eastern European states, like the Commonwealth countries, to choose their own representative.

2. British seen favoring limited aid for Iran:

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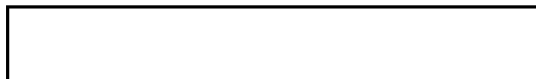
The British Foreign Office recognizes that the Zahedi regime will probably need financial assistance to survive, but hopes the United States will limit

any such aid in order to maintain pressure on Iran to settle the oil question. The American embassy in London also has the impression that Prime Minister Churchill is eager to pave the way for a resumption of diplomatic relations.

The Foreign Office is now studying the question of possible forms of settlement. The embassy feels the Anglo-Iranian Oil Company may adopt a "more enlightened" attitude toward a settlement than previously, but detects no inclination to favor a lump-sum compensation payment.

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Comment: The British are still not optimistic about reaching an oil settlement with the new government. Their readiness to see Iran receive even limited aid, however, implies a recognition of the probable consequences should Zahedi fall.

FAR EAST

3. Comment on mission of North Korean delegation to Moscow:

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[redacted] The composition of the six-member North Korean delegation which Radio Pyongyang announced had departed for Moscow on 1 September suggests that implementation of the \$250,000,000 Soviet loan for rehabilitation and reconstruction will be an important topic of discussion between the two governments. Members of the delegation include the chairman of the state planning committee, a vice premier who is a specialist on economic affairs, and the minister of railways.

The other members -- Premier Kim Il-sung, the vice chairman of the central committee of the Labor (Communist) Party, and the minister of foreign affairs -- would be likely to participate in either economic or political discussions. No military officials are included in the delegation. The possibility that the group also may receive instructions on strategy for the Korean political conference is suggested by [redacted] that Peng Teh-huai, who headed the Chinese delegation at the truce talks, has also left for Moscow.

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None of the members is associated with the Chinese-trained faction of the North Korean government. This reinforces previous indications that the Chinese faction will not play a major role in future internal Korean developments.

SOUTHEAST ASIA

4. Regular airlift of supplies to Chinese Nationalists in Burma indicated:

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[redacted] Burma has confirmation from "unimpeachable" sources that the Chinese Nationalists in Mong Hsat have been supplied regularly

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throughout the monsoon season by air from Thailand. According to a high official of the Burmese Foreign Office, his government has received specific details, including data on the planes and companies involved.

The American embassy in Rangoon adds that the Shan ruler of Kengtung State, where Mong Hsat is located, reported on 26 August that as many as two or three flights a week were arriving at the Nationalist headquarters,

Comment: Last spring the Nationalist government promised that supply flights to Mong Hsat would be suspended. In July both CAT and Fushing air lines, the two organizations most frequently mentioned as being involved in these operations, denied that any of their planes had flown into Burma during the preceding two months.

There have been numerous reports since then, however, of a continuing airlift to Mong Hsat. Such activity would tend to confirm suspicions of Nationalist insincerity in promising to cooperate in the evacuation of its troops from Burma.

NEAR EAST - AFRICA

5. Comment on press report that Nasr will assume Egyptian premiership:

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[redacted] The first public statement that Colonel Nasr, Egyptian vice premier and strong man of the ruling army clique, may soon take over the premiership appeared on 31 August in an Arab News Agency release from Cairo. [redacted]

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It is unlikely that the news agency would report General Nagib's possible replacement as prime minister without at least the tacit approval of the authorities. The release of a press report at this time suggests that Colonel Nasr is ready to complete his assumption of overt authority in Egypt.

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Nasr's assumption of the premiership would publicly confirm the existing power situation in Egypt. Cabinet changes, which may accompany such a move, would be more important, however, particularly if young, inexperienced army officers replace such capable ministers as those of foreign affairs and finance.

WESTERN EUROPE

6. American officials in Bonn see Adenauer election victory fairly certain:

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The US high commission in Bonn states that Adenauer's retention of the chancellorship following the 6 September elections can be anticipated "fairly safely." It is highly

unlikely that the opposition Social Democrats can win 200 of the 484 Bundestag seats, the approximate number necessary to defeat him. Moreover, Adenauer's potential parliamentary support is now greater than it was in 1949 since two small parties, the Bavarian and Center, have already pledged him their Bundestag votes.

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